



**OMAN REFRESHMENT COMPANY SAOG**

Report on Corporate Governance - 2014



### 1. CORPORATE GOVERNANCE: ORC PHILOSOPHY

Corporate Governance is about directing and controlling the Company with the overriding objective of optimising the return for shareholders, while adhering to the laws and ethical standards of the business environment in which it operates. A good governance process aims to achieve this by providing long term visibility of its businesses, ensuring effective relationship with stakeholders, establishing systems that help the Board of Directors ("Board" hereafter) in understanding and monitoring risk at every stage of corporate's evolution process. The corporate governance is not a matter of form, but of substance. It is an article of faith and should be integral to the core values of the corporation.

The Board of Directors and the Management of Oman Refreshment Company SAOG ("ORC" or "Company" hereafter) are committed to the highest standards of corporate governance for the Company. The Company has long been practicing best business practices, which are subject to continuous review to ensure that they continue to reflect the recent developments in order to conform to the best corporate governance practices. It takes feedback into account in its periodic reviews of the guidelines to ensure their continuing relevance, effectiveness and responsiveness to the needs of all the stakeholders.

### 2. Board of Directors

As on 31<sup>st</sup> December 2014, the strength of the Board of Directors is 7, comprising of one Executive Director and 6 Non-executive Directors including Chairman. The Board is responsible for directing the business and guiding the executive management. All the directors on the ORC Board are shareholder directors representing either an individual shareholder or a juristic shareholder except Mr. Mohamed Abdul Aziz Al Owais who is a non-shareholder, professional director. The current Board of Directors is completing its tenure at the ensuing Annual General Meeting (AGM) and new Board of Directors shall be elected at this AGM to be held on 3<sup>rd</sup> March 2015.

#### 2.1. The composition & category of Directors during the year under review is as follows:

S. No	Name	Position	Category	No. of Board meetings held in Director's tenure	No. of Board meetings attended	Whether attended last AGM	No. of directorships on Boards of other SAOG companies
1	Buti Obaid Al Mulla	Chairman	Non-independent	5	5	Yes	-
2	Ahmed Mohamed Bin Omeir Al Hinai	Vice Chairman	Non-Independent	5	4	Yes	-
3	Hamoud Ahmed Mohamed Al Hinai	Executive Director	Non-Independent	5	5	Yes	1
4	Mana Mohamed Al Mulla	Non Executive Director	Non-Independent	5	5	No	-
5	Mohamed Abdullah Moosa Al Raisi	Non Executive Director	Independent	5	4	No	-
6	Ali Humaid Al Owais	Non Executive Director	Independent	5	4	Yes	-
7	Mohamed Abdul Aziz Al Owais	Non Executive Director	Independent & Professional	5	3	Yes	-



### 2.2. Statement of the Names & Profiles of Directors and Top Management

The ORC Board brings together core competencies of directors with vision, strategic insight and industry knowledge, which provide direction to the executive management.

#### **Buti Obaid Al Mulla - Chairman**

Mr. Buti Obaid Al Mulla has been a member of the Board of Directors of the company since 2001 and has been serving as Chairman of the Board of Directors of the Company since 2007. Other positions currently held by him include the following:

- Owner and Director of Al Mulla Group, UAE.
- Managing Director of the American Hospital, UAE.
- Chairman of Dubai Insurance Company PSC, UAE.
- Vice Chairman of Emirates Investment Bank PJSC, UAE.
- Vice Chairman of Emirates Islamic Bank PJSC, UAE.
- Director of Emirates NBD Bank PJSC, UAE.
- Director of Orient Insurance PJSC, UAE.

#### **Ahmed Mohamed Bin Omeir Al Hinai – Vice Chairman**

Mr. Ahmed Mohamed Bin Omeir Al Hinai is one of the founders of ORC and has been a member of the Board of Directors of the company since 1973. Besides, he held senior positions and undertook leading roles such as:

- Director of United Number Plates Co LLC.
- Director of Bin Omeir Investments LLC.

#### **Hamoud Ahmed Mohamed Al Hinai – Managing Director**

Mr. Hamoud Ahmed Mohamed Al Hinai is a member of Board of Directors of the company since 1982. He has been serving as the Managing Director of the Company since 2001. He holds various senior positions in different companies as follows:

- Director of Omani Packaging Company SAOG.
- Director of Bin Omeir Investments LLC

#### **Mana Mohamed Al Mulla – Director**

Mr. Mana Mohamed Al Mulla is a member of the Board of Directors of the company since 2007. Other positions held by him currently are as follows:

- Chairman of United Kaipara Dairies Company PSC, UAE.
- Director of Etisalat PSC, UAE.
- Director of Aramex PJSC, UAE.
- Director of Commercial Bank of Dubai PSC, UAE.
- Director of Union Properties PJSC, UAE.
- Director of ABJAR Hotels LLC, UAE.

#### **Mohamed Abdullah Moosa Al Raisi – Director**

Mr. Mohamed Abdullah Moosa Al Raisi is a member of the Board of Directors of the company since 2001. He holds various senior positions in different companies as follows:

- Chairman & Managing Director of Moosa Abdul Rahman Hassan & Co. LLC
- Chairman of Oman United Agencies (Travels).
- Director of Abjar Trading & Contracting Company LLC.
- Director of Moosa & Partners Investments LLC.
- Director of Noor Oman Realty Services LLC.
- Director of City Home Building Materials LLC.
- Managing Director of SARCO LLC.
- Managing Director of Shamel Engineering & Contracting LLC
- Managing Director of Oman Concrete Products LLC



### **Ali Humaid Al Owais – Director**

Mr. Ali Humaid Al Owais has been a member of Board of Directors since 2007. He currently holds various positions in different companies as follows:

- Chairman of United Foods Company PSC, UAE.
- Vice Chairman of Dubai Refreshments PSC, UAE.
- Vice Chairman of Modern Bakery LLC, UAE.
- Director of Dar Al Takaful PJSC, UAE.
- Director of Emirates Islamic Bank PJSC, UAE.
- Director of Emirates NBD Bank PJSC, UAE.

### **Mohamed Abdul Aziz Al Owais – Director**

Mr. Mohamed Abdul Aziz Al Owais has been a member of Board of Directors since 2010. He currently holds various positions in different companies as follows:

- Executive Vice Chairman of United Foods Company PSC, UAE.
- Director of Dubai Refreshments PSC, UAE.
- Director at Al-Owais General Trading, Real Estate and Investments, UAE.

### **Youssef Ezzikhe – General Manager**

Mr. Youssef Ezzikhe holds an Executive MBA and also a BA in marketing. He is a business professional with senior experience in leading FMCG, Beverage and industrial sectors in North Africa and GCC markets. He joined the company as General Manager in September 2010.

### **S V Siva Reddy – Chief Financial Officer**

Mr. S V Siva Reddy holds Master of Business Administration (MBA), Master of Commerce (M.Com) and is an Associate Chartered Accountant (ACA) and also a Fellow Cost & Management Accountant (FCMA). Having worked in Business Advisory Services with Big 4 accounting firms in India and Oman, he is also extensively experienced senior business finance professional. He joined the company as Chief Financial Officer in May 2010.

## **2.3. Meetings of the Board of Directors**

The Board of Directors meets once in a quarter to consider the Audited/Unaudited Financial results and any other matters arising from the business operations of the Company.

As against the minimum requirement of 4 board meetings, the Board of Directors met 5 times on the following dates during 2014 viz., 4<sup>th</sup> February, 22<sup>nd</sup> April, 21<sup>st</sup> July, 22<sup>nd</sup> October and 22<sup>nd</sup> December 2014.

## **3. Audit Committee & Other Sub-committees**

### **3.1. Audit Committee**

Audit Committee is a sub-committee of the Board, comprising all independent directors, viz., Mohamed Abdul Aziz Al Owais as Chairman and Mohamed Abdullah Moosa Al Raisi and Ali Humaid Al Owais as members.

The terms of reference stipulated by the Board of Directors to the Audit Committee are as follows:

- Review the adequacy of internal control systems and Internal Audit Reports, and their compliance.
- Oversee the Company's financial reporting process and the disclosure of its financial information to ensure the accuracy, sufficiency and credibility of the financial statements.
- Recommend the appointment and removal of external auditors and fixing of audit fees and also approval for payment for any other services.
- Review with the management the quarterly, half yearly and annual financial statements before submitting to the Board.
- Review with the management, external and internal auditors, the adequacy of internal control systems.



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### 3.1.1. Attendance and Other Details

The Audit Committee has met 4 times during the year on the following dates, viz., 4<sup>th</sup> February, 22<sup>nd</sup> April, 21<sup>st</sup> July and 22<sup>nd</sup> October 2014.

The attendance of each member at Audit Committee meetings held during the year is as follows:

Sl No	Name	Position	Category	No. of Audit committee meetings held during Member's tenure	No. of Audit committee meetings attended
1	Mohamed Abdul Aziz Al Owais	Chairman	Non-Executive, Independent & Professional	4	3
2	Mohamed Abdullah Moosa Al Raisi	Member	Non-Executive & Independent	4	3
3	Ali Humaid Al Owais	Member	Non-Executive & Independent	4	4

### 3.2. Nomination & Remuneration Committee

Nomination & Remuneration Committee is another sub-committee of the Board comprising of Mana Mohamed Al Mulla as Chairman and Ali Humaid Al Owais and Mohamed Abdul Aziz Al Owais as members, formed to

- Ensure that the independent directors remain independent on a continuous basis.
- Recommend board member's remuneration.
- Review periodically the policies relating to remuneration, benefits, bonus and other compensation elements, lay- down and update the parameters for recruitment, assessment and compensation of key personnel, undertake their performance assessment and report to the Board on the compensation & personnel policies.

#### 3.2.1. Attendance and Other Details

The Nomination & Remuneration Committee has met 3 times during the year on the following dates, viz., 27<sup>th</sup> February, 22<sup>nd</sup> April and 14<sup>th</sup> October 2014.

The attendance of each member at Nomination & Remuneration Committee meetings held during the year is as follows:

Sl No	Name	Position	Category	No. of Nomination & Remuneration committee meetings held during Member's tenure	No. of Nomination & Remuneration committee meetings attended
1	Mana Mohamed Al Mulla	Chairman	Non-Executive & Independent	3	3
2	Ali Humaid Al Owais	Member	Non-Executive & Independent	3	1
3	Mohamed Abdul Aziz Al Owais	Member	Non-Executive, Independent & Professional	3	2

## 4. Process of Nomination of Directors

In nominating and screening candidates, the Board looks for professionalism, integrity, accountability, performance standards, leadership skills and professional business judgment. Financial literacy, proven track record, industry knowledge and strategic vision are key characteristics. While nominating competent candidates, the Board ensures that the shareholders retain the power of electing any candidate, irrespective of his candidature being recommended by the Board or otherwise and that any shareholder or non- shareholder candidate has the full right of nominating himself.



### 5. Remuneration Matters

#### 5.1. Board of Directors

The Chairman and Directors are paid sitting fees at the rate of RO 1,000 for attending each board meeting. The Board committee members are paid sitting fee at the rate of RO 400 for attending each committee meeting. The Chairman and Directors are entitled to a total remuneration & sitting fee of RO 200,000 during the year. The Company ensures that the overall remuneration & sitting fees paid/payable during 2014 is in accordance with the CMA's Administrative Decision no 11/2005 on rules for remuneration and sitting fees for Directors and sub committees of Public joint stock companies. Further, the company incurred RO 11,110 as traveling & related expenses for the official travel of the members of the Board during the year.

#### 5.2. Key Personnel

The total remuneration including salary, allowances and performance linked incentives paid/accrued to top 5 officers of the company during the year amounted to RO 781,538.

#### 5.3. Employment Contracts and Other Related Information of Key Personnel

The employment contracts of the top 5 officers are usually entered for an initial period of 2 years which are automatically renewed unless terminated in accordance with the terms mentioned therein. The notice period for termination of employment contracts for all the key personnel is 3 months and the gratuity is computed and paid in accordance with the Oman Labour Law.

### 6. Details of Non-compliance by the Company

- 6.1. There were no penalties or strictures imposed on the company by MSM/CMA during the year.
- 6.2. The Company has implemented the best practices of Corporate Governance and updates such practices from time to time and is in compliance with the Code of Corporate Governance.

### 7. Means of Communication

- 7.1. The Company has been dispatching Annual Reports to all the members of the Company. The Company has been sending financial results and material information to MSM Website via the MSM Electronic Transmission System.
- 7.2. The annual audited and quarterly unaudited financial results were published in two newspapers, as required by law, and are also posted on the MSM website as well as Company's website ([www.pepsioman.com](http://www.pepsioman.com)).
- 7.3. The Management Discussion and Analysis Report, which forms part of the Annual Report, is provided elsewhere in this Annual Report.

### 8. Stock Market Data

#### 8.1. Monthly high and low share prices of 2014

Monthly closing share price of high and low quotations, traded in Muscat Securities Market (MSM) for the year 2014:

Month	Share price movement (in RO)	
	High	Low
January	2.800	2.600
February	2.650	2.600
March	2.725	2.495
April	2.500	2.440
May	2.440	2.400



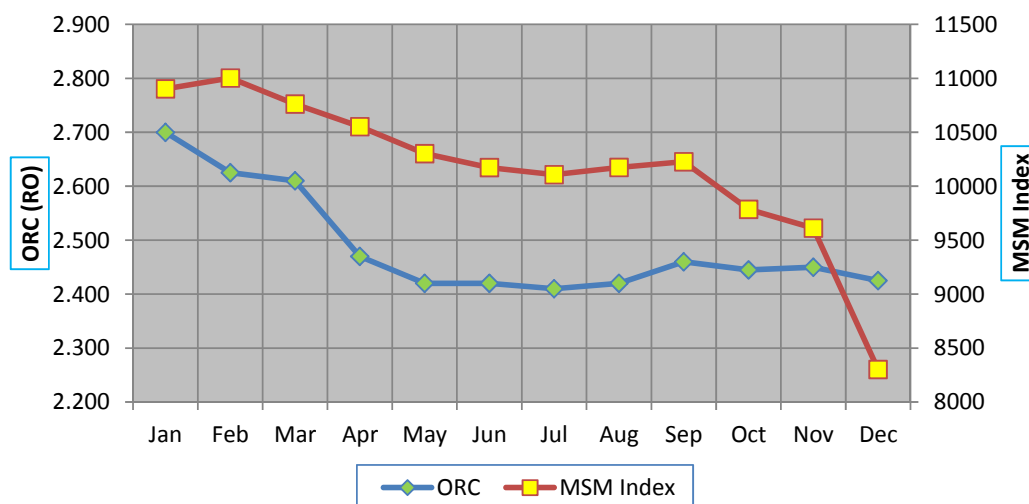
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Month	Share price movement (in RO)	
	High	Low
June	2.420	2.400
July	2.400	2.400
August	2.420	2.420
September	2.500	2.420
October	2.450	2.440
November	2.450	2.450
December	2.450	2.400

(Source of statistics: MSM)

## 8.2. Stock Performance in comparison to MSM broad based index of industrial sector: -



Note: -

Share price and MSM Index (for Industrial sector) average for the month is based on the High and Low during the month.

8.3. The company does not have any outstanding GDR's/ ADR's/ Warrants or any convertible instruments.

## 8.4. Distribution of Shareholding as on 31<sup>st</sup> December 2014

(Source of Statistics: - Muscat Clearing & Depository Company SAOC)

S. No.	Category	Number of Shareholders	No of shares	% Shareholding
1	Less than 2%	381	10,925,420	21.85%
2	2% to 4.99%	13	20,586,550	41.17%
3	5% to 10%	1	2,982,560	5.97%
4	Above 10%	2	15,505,470	31.01%
	<b>Total</b>	<b>397</b>	<b>50,000,000</b>	<b>100%</b>



**9. Professional Profile of the Statutory Auditors**

EY is the statutory auditors of the Company. EY has been operating in the Sultanate of Oman since 1974 and is the largest professional services firm in the country. EY Oman, forms part of EY's EMEIA practice, with 4,015 partners and over 90,500 professionals in 462 offices throughout the EMEIA geographical area. Globally, EY operates in more than 150 countries and employs 190,000 professionals.

**10. Audit fees and fees for other services**

The audit fees provisioned/paid to the Auditors for the year 2014 was RO 9,000 (2013 – RO 9,000). There was no other fee paid to the auditors for any other services during the year (2013 – Nil).

**11. Board of Directors confirmations**

Further to the information provided above, the Board of Directors confirms that

- It is liable for the preparation of the financial statements in accordance with the applicable standards and rules,
- It has reviewed the efficiency and adequacy of internal control systems and that these comply with the internal rules and regulations,
- There are no material things that affect the continuation of the Company and its ability to continue its operations during the next financial year.

*For and on behalf of the Board*

\_\_\_\_\_  
**Chairman**

\_\_\_\_\_  
**Director**